
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 31, 2011

TIM HORTONS INC.

(Exact name of registrant as specified in its charter)

Canada
(State or other jurisdiction
of incorporation)

001-32843
(Commission
File Number)

98-0641955
(IRS Employer
Identification No.)

874 Sinclair Road, Oakville, ON, Canada
(Address of principal executive offices)

L6K 2Y1
(Zip Code)

(905) 845-6511
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Tim Hortons Inc. (the “Corporation”) previously announced that, as of May 24, 2011, Donald B. Schroeder no longer serves as President and CEO of the Corporation. Following the termination of Mr. Schroeder’s employment, the Corporation and Mr. Schroeder entered into a Severance Agreement and Final Release on June 2, 2011 (the “Agreement”), effective May 31, 2011 (the “Effective Date”). Also as previously announced, the Corporation has commenced an active CEO search that will include both internal and external candidates.

(b) Pursuant to the Agreement, Mr. Schroeder resigned as a member of the Corporation’s Board of Directors as of the Effective Date. The Board of Directors has not yet appointed a successor to fill the vacancy left by Mr. Schroeder’s resignation.

(e) The Agreement provides Mr. Schroeder with severance of up to Cdn.\$5,750,000 (the “Severance Amount”) in exchange for a general release of claims against the Corporation and its affiliates, successors and assigns, as well as other covenants and obligations extending to the benefit of the Corporation, as generally described below. The Severance Amount consists of: (i) a lump sum payment of Cdn.\$2,250,000, payable within three weeks of the Effective Date; and (ii) up to Cdn.\$3,500,000, payable in equal monthly installments over 24 months (the “Installment Portion”).

After excluding from the Severance Amount (i) the portion of the Severance Amount attributable to proration of short-term incentive compensation and retirement benefits for the five months of 2011 prior to Mr. Schroeder’s departure from the Corporation and (ii) the portion attributable to Mr. Schroeder’s accrued vacation pay entitlement as of the termination date, the Severance Amount represents a severance payment of slightly less than three times Mr. Schroeder’s annual total cash compensation (*i.e.*, Mr. Schroeder’s annualized 2011 base salary plus short-term incentive award, at target). The factors considered by the Board of Directors in determining the Severance Amount included, among other things, Mr. Schroeder’s long service, over twenty years, as a senior executive of the Corporation; the Corporation’s strong financial performance over Mr. Schroeder’s three-year tenure as President and CEO; and, the various covenants and ongoing obligations of Mr. Schroeder in the Agreement.

The Agreement also provides that approximately 70% of the Installment Portion of the Severance Amount is made expressly subject to recoupment under the Corporation’s Recoupment Policy Relating to Performance-Based Compensation. Amounts subject to recoupment may be set off from other amounts owing under the Agreement. In addition, all of the vested and unvested performance-based restricted stock units granted to Mr. Schroeder after February 2009 (the adoption date of the Recoupment Policy) and all other performance-based compensation paid or awarded to Mr. Schroeder since the adoption of the Recoupment Policy, are also subject to recoupment in accordance with the terms of the Recoupment Policy.

As of the date of Mr. Schroeder’s departure from the Corporation, Mr. Schroeder was retirement-eligible under the Corporation’s 2006 Stock Incentive Plan, as amended and restated (the “2006 Plan”), and Mr. Schroeder’s termination of employment will be considered a “Retirement” under the 2006 Plan and accompanying equity award agreements entered into with Mr. Schroeder prior to the Effective Date.

As a result, all of Mr. Schroeder's outstanding, unvested performance-based restricted stock units and options with tandem stock appreciation rights ("SARs") will continue to vest in accordance with the original vesting schedules established for the respective awards. As further outlined in the 2006 Plan, the tandem options/SARs will remain exercisable until the earlier of four years following the Effective Date and the original expiration date of the respective option/SARs awards.

In addition to the foregoing, Mr. Schroeder will be entitled to certain health and dental benefits until June 1, 2013. The Corporation will also transfer ownership to Mr. Schroeder of the corporate-owned vehicle that is in Mr. Schroeder's possession.

Under the Agreement, Mr. Schroeder has agreed to provide consulting services to the Corporation for a period of two years following the Effective Date in exchange for the payment of Cdn.\$175,000 per year, payable in equal monthly installments. It is expected that the primary focus of Mr. Schroeder's consulting services will be with respect to the Tim Horton Children's Foundation and the Corporation's coffee partnership program, as he has a long-standing history of involvement with those programs. At the end of the initial two years, the Corporation has the sole and absolute discretion to extend the term of the consulting arrangement for an additional term of two years. The Corporation may terminate the consulting arrangement at any time, in which case, the remaining amounts unpaid under the then-current term will be paid to Mr. Schroeder.

Mr. Schroeder has also agreed to various covenants under the Agreement for the benefit of the Corporation, including covenants relating to co-operation, confidentiality, non-disparagement and non-solicitation. He also agreed to extend the term of various covenants and obligations under his existing Post-Employment Covenant Agreement. All of the Severance Amount, all outstanding unvested equity awards to be settled after the Effective Date, and all payments made under the consulting arrangement are subject to offset by the Corporation in the event of a breach by Mr. Schroeder of any of the terms of the Agreement or the Post-Employment Covenant Agreement.

The foregoing summary of the Agreement does not purport to be complete and is qualified in its entirety by reference to the Agreement, a copy of which is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

Item 8.01 Other Events

The Corporation anticipates that the total incremental expense to be incurred by the Corporation in the second quarter as a result of the severance and consulting arrangements with Mr. Schroeder described above will be approximately Cdn.\$6,500,000. In addition to the payments, benefits, and other arrangements described above, this amount includes the Corporation's estimate of professional advisory fees and other related costs and expenses. The Corporation did not contemplate this additional expense when setting its 2011 EPS target in February 2011.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

- Exhibit 10.1 Severance Agreement and Final Release, effective as of May 31, 2011, by and between Tim Hortons Inc. and Donald Schroeder
- Exhibit 99.1 Press Release issued by the Corporation on June 6, 2011
- Exhibit 99.2 Safe Harbor Statement

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TIM HORTONS INC.

Date: June 6, 2011

By: /s/ JILL E. AEBKER

Jill E. Aebker

Deputy General Counsel and Secretary

SEVERANCE AGREEMENT AND FINAL RELEASE (the "Agreement")

WHEREAS Donald Schroeder's employment with Tim Hortons Inc. is terminated effective May 24, 2011 (the "Exit Date"), and whereas, Tim Hortons and Donald Schroeder agree, as of May 31, 2011 (the "Effective Date"), as follows:

1. Donald Schroeder ("Schroeder"), on his own behalf and on behalf of his heirs, executors, administrators and assigns hereby releases and forever discharges (i) Tim Hortons Inc. together with its former and present subsidiaries and affiliates and their successors and assigns (as used herein, "Tim Hortons") and (ii) all respective former and present officers, directors, partners, employees, servants, trustees, insurers and agents of Tim Hortons, and their successors and assigns, jointly and severally from any and all actions; causes of actions; contracts and covenants, whether expressed or implied; claims, suits, and/or demands for damages; indemnity; costs, interest, loss, or injury; all of the foregoing of every nature and kind whatsoever and howsoever arising whether in law; equity; or arising out of any applicable statute or regulation of Canada, any province or otherwise; all of the foregoing applicable to Schroeder and Tim Hortons, including but not limited to severance, pay in lieu of notice, damages, loss of benefits and benefit coverage, which Schroeder may heretofore have had, may now have, or may hereinafter have in any way related to the hiring, the employment, and/or the termination of his employment by Tim Hortons.
2. For the purpose of this Agreement, for greater clarity and not by way of limitation of the foregoing, "Tim Hortons" includes all of its subsidiaries, affiliates, successors, and assigns, including but not limited to The TDL Group Corp. and the Tim Horton Children's Foundation and their affiliates, successors, and assigns.
3. Schroeder agrees that he will not initiate against Tim Hortons any dispute, complaint, action, claim, suit, statement of claim, demand or

proceeding whatsoever, including claims pursuant to the terms of any provincial or federal legislation, including but not limited to, securities regulation, employment standards, occupational health and safety and/or human rights or any other manner of claim or suit whatsoever or howsoever arising.

4. Schroeder agrees that, as of the Effective Date, he shall have resigned as a director, officer and/or member of a managing committee of Tim Hortons and its subsidiaries, affiliates and joint ventures, as well as a fiduciary and/or trustee of any benefit plan of Tim Hortons. Schroeder will execute resignations in the forms mutually agreeable contemporaneously with his execution of this Agreement. Schroeder hereby waives any and all rights he may have to submit to Tim Hortons (or any subsidiary, affiliate or joint venture thereof) a written statement pursuant to Section 110(2) of the Canada Business Corporations Act, or a similar or comparable provision of any other provincial, federal or state legislation. Such resignation as director shall not extend to the Tim Horton Children's Foundation, as described in Section 29 hereof.

5. Schroeder hereby acknowledges that he will resign as a director, as of the Effective Date as described herein, and he agrees not to furnish to Tim Hortons or to a director, officer, employee, franchisee, or agent of any of the foregoing, any written correspondence concerning the circumstances regarding the termination of his employment or resignation as a director, or the reasons therefor.

6. Schroeder acknowledges that, as of the Effective Date and relating to his entire tenure as an employee of Tim Hortons since Tim Hortons Inc. became a public company in March of 2006, he has no knowledge of any: (i) violation of U.S. or Canadian securities laws or rules; (ii) breach of the Tim Hortons Standards of Business Practices that has not been resolved; or (iii) concerns regarding accounting, internal accounting controls, or auditing matters.

7. Tim Hortons will pay Schroeder a severance amount of up to \$5,750,000 (the "Severance Amount"), which includes a lump sum payment of \$2,250,000, payable as set forth below, and \$3,500,000 payable over two years following the Exit Date, as described on Appendix A, attached hereto. The Severance Amount is subject to applicable statutory deductions and withholdings and includes any and all payments required by law, equity, statute, contract, or otherwise, including any vacation pay, statutory severance pay, termination pay, or loss of benefits to which Schroeder may have been entitled as a result of the termination of his employment.

Tim Hortons will pay to Schroeder or his designee the lump sum of \$2,250,000, noted above, less deductions required by law, within three (3) weeks following receipt of this executed Severance Agreement and Final Release.

Within thirty (30) days of return of the executed copy of this Agreement by Schroeder to Tim Hortons, Tim Hortons will commence monthly payments for a period of 24 months (the "Payment Period") to Schroeder of the \$3,500,000 payment described above, subject to a breach of any term, condition, or provision of this Agreement.

In addition to the foregoing, Tim Hortons will transfer ownership to Schroeder of the employer-owned vehicle that is presently in his possession.

8. Two million four hundred thousand dollars (\$2,400,000) of the Severance Amount to be paid monthly and all amounts associated with performance-based restricted stock unit awards (both vested and unvested as of the Exit Date), are and shall be interpreted and construed as performance-based compensation expressly subject to the Recoupment Policy Related to Performance-Based Compensation in effect as of the Exit Date and as may be amended after the Exit Date ("Recoupment Policy"). As a result, all such amounts may be reduced (or

otherwise set off from other amounts owed hereunder) in accordance with the Recoupment Policy.

9. Schroeder agrees to save harmless and indemnify Tim Hortons from and against all claims, charges, taxes or penalties and demands which may be made by Canada Revenue Agency that require Tim Hortons to pay income tax under the Income Tax Act (Canada) in respect of income tax payable by Schroeder in excess of the income tax previously withheld; and in respect of any and all claims, charges, taxes, withholdings, overpayments or penalties and demands which may be made by Human Resources Skills Development Canada or other governmental agency, or on behalf of or related to Employment Insurance or the Canada Pension Plan, under the applicable statutes and regulations, with respect to any amounts which may in the future be found to be payable in respect of Schroeder.

10. Schroeder acknowledges that Tim Hortons does not admit liability to Schroeder in connection with any matter for which the payments are made to Schroeder under this Agreement or for which this Release is given by Schroeder, and any such liability is expressly denied. Further, the allocations of the payments into various elements or manner of description by Tim Hortons, whether internally or externally, shall not be an admission that any such payments or elements were owed or are due. For greater clarity, any internal or external allocations or descriptions of such payments or elements by Tim Hortons shall not be interpreted as an admission that such amounts or payments were owed or due either in this case or in any other situation involving an employee, or, that such payments or amounts will be disclosed or described in a manner similar to the manner disclosed in the present case. Schroeder agrees that Tim Hortons shall determine the public descriptions and disclosures of all payments to be made hereunder, subject to Schroeder's input as described in Section 17 hereof.

11. Schroeder agrees not to make any claim or institute any proceedings against any person who might claim over against or claim contribution or indemnity from Tim Hortons in connection with any matter for which this Release is given.

2006 Stock Incentive Plan (the "Plan")

12. Tim Hortons agrees with Schroeder, in accordance with Section 11 of the Plan and notwithstanding anything that may be construed to the contrary in the Plan, that Schroeder's termination of employment shall be considered a "Retirement" under Section 11.3 of the Plan. The Exit Date shall be considered Schroeder's "retirement date" under Section 11.3. Tim Hortons agreement as to the treatment of the termination of Schroeder's employment as a "Retirement" under the Plan shall not extend to any other Tim Hortons benefits, plans, programs, provisions or claimed entitlements by Schroeder, and this agreement by Tim Hortons and Schroeder shall not be construed as a waiver or admission of liability under any other such benefits, plans, programs, provisions or claimed entitlements. Notwithstanding anything set forth in the Plan to the contrary, all of the outstanding, unvested equity awards as of the Exit Date shall be subject to forfeiture and/or offset hereunder in accordance with Section 24 hereof in the event of Schroeder's breach of the terms of this Agreement and Section 8 hereof with respect to those amounts subject to the Recoupment Policy.

Benefit Plans

13. Schroeder agrees that he is bound by the terms and conditions, including termination provisions, of the various benefit plans, including but not limited to the Personal Supplemental Executive Retirement Savings Plan.

14. Enrolment in Tim Horton's medical, including prescription, and dental care plans shall continue until June 1, 2013, subject to the approval of the Tim Hortons benefits plan administrator. Tim Hortons agrees to use its reasonable best efforts to obtain the administrator's consent. If such

consent is not obtained, Schroeder shall be reimbursed by Tim Hortons for the actual cost to Schroeder of securing alternative equivalent coverage. In addition, Schroeder shall be entitled to three (3) Medcan visits following the Exit Date at the same level of benefit to which he was entitled on the Exit Date. Long and short-term disability and life insurance coverage shall cease as of the Exit Date. Any eligible claims under Tim Hortons health plans that exist as at the date that coverage ceases (anticipated to be June 1, 2013 or, if Tim Hortons is unable to obtain the administrator's consent to continued coverage, the date the administrator declines the request) must be submitted within 90 days following that date.

Co-Operation

15. Schroeder agrees to provide Tim Hortons with such assistance as it may reasonably require, following the Exit Date, to transfer all existing mandates as at the Exit Date, without additional compensation. Further, Schroeder further agrees to cooperate and provide services to Tim Hortons following the Exit Date as specified below under “**Consulting Arrangement.**”

16. Notwithstanding the termination of the Consulting Arrangement, and as an independent obligation hereunder, Schroeder agrees that he shall cooperate with Tim Hortons and Tim Hortons designated agents and counsel in connection with any litigation or arbitration, or any potential litigation or arbitration, and/or in connection with any investigation, inquiry or other proceeding, including, but not limited to, regulatory or law enforcement investigations, inquiries or proceedings concerning or relating to matters in which he was involved as an employee. This cooperation shall include, but is not limited to, providing Tim Hortons, or Tim Hortons designated agents and counsel, with all requested information or documents; meetings with Tim Hortons' designated agents or counsel, government representatives, or other third parties at Tim Hortons' request at mutually agreed times and locations; and testifying. Tim Hortons agrees to reimburse Schroeder for any travel or other expenses

reasonably incurred by him in connection with his cooperation in accordance with Tim Hortons then-applicable officer expense reimbursement policy. Schroeder will not be entitled to any fees, payments, or compensation in connection with providing cooperation in connection with litigation or other matters described in this Section 16.

Restrictive Covenants

17. Schroeder undertakes not to make public this Agreement, or its terms or its existence, and he undertakes not to divulge details of this Agreement; any manner or matter in connection with the negotiation of this Agreement; or, any perspectives, statements, positions, or activities of Tim Hortons (or one or more of its directors) in connection with such negotiations (or ultimate settlement) of this Agreement; all of the foregoing to any person whatsoever, including but not limited to existing or past employees, customers, franchisees, or suppliers of Tim Hortons, and to treat the same in strictest confidence, save as required by law or pursuant to any order of any Court or statutory or regulatory authority and in the case of Schroeder to his immediate family, provided that Schroeder procures from them an agreement that they keep this Agreement confidential. Nothing in this Agreement shall prevent disclosure by Schroeder to his professional advisors bound by similar confidentiality requirements. Schroeder understands, acknowledges, and agrees that Tim Hortons will make public disclosures and will make other communications and disclosures to its employees, restaurant owners, and other stakeholders regarding the termination of Schroeder's employment and compensation package in connection with such termination on or after the Exit Date. After the Effective Date, Tim Hortons agrees that Schroeder may provide input regarding any such public announcements, *i.e.*, written disclosures, and that Tim Hortons shall consider, but shall not be required to incorporate such input; provided that Tim Hortons shall not act unreasonably in refusing to accept and/or incorporate such input. Notwithstanding anything set forth above to the contrary, Tim Hortons

obligation to provide an opportunity for Schroeder to provide such input shall be subject to Schroeder's continued compliance with the terms of this Agreement, including but not limited to all restrictive covenants described herein and in the Post-Employment Covenant Agreement.

Notwithstanding anything set forth in this Section 17 or elsewhere in this Agreement to the contrary, Schroeder may summarize or restate the description of Schroeder's termination and/or compensation paid in connection therewith, made by Tim Hortons in its public disclosures. The covenants set forth in this Section 17 are not limited in their duration.

18. **Schroeder agrees** that he is bound by and will adhere to the obligations set out in the Post-Employment Covenant Agreement, dated February 24, 2010, by and between Schroeder and Tim Hortons. Both parties further agree that the terms of the Post-Employment Covenant Agreement remain in full force and effect and unmodified by the terms of this Agreement, with the following exception: The "Restricted Period" as defined in the Post-Employment Covenant Agreement shall for all purposes under the Post-Employment Covenant Agreement (despite language to the contrary in such Agreement) extend until the later of: (i) two (2) years following the date of termination of the Consulting Arrangement described under Section 29 hereof; or (ii) June 3, 2014.

19. **Schroeder agrees** not to make, publish or provide, or encourage or induce others to make, publish or provide, any statements, comments, or remarks, whether oral or in writing or electronically transmitted, that are or would reasonably be considered to be disparaging, derogatory, or defamatory, or that criticize Tim Hortons (including, but not limited to, any processes or policies thereof) or its subsidiaries, affiliates, agents, executives, employees, officers, directors or franchisees. Schroeder will not take, or encourage or induce others to take, any action which could reasonably be expected to adversely affect the personal or professional reputation of Tim Hortons or its subsidiaries, affiliates, agents, executives, employees, officers, directors or franchisees. For greater certainty, the

restrictions contained in this Section 19 shall apply, without limitation, to any statements, comments or remarks made to the press or media, in interviews, in public communications, at speaking engagements and at meetings of shareholders of Tim Hortons. Nothing in the foregoing section shall be construed as an implied waiver of the other terms of this Agreement that limit Schroeder's ability to make any such statements or remarks. The covenants set forth in this Section 19 are not limited in their duration.

20. Schroeder expressly acknowledges and agrees that any disparaging remarks regarding the matters described in this Agreement, including without limitation Sections 17, 18 and 19 hereof, and in addition thereto, the succession planning process undertaken by the Board of Directors of Tim Hortons Inc. generally (or specifically), made to (but not limited to) Tim Hortons shareholders, employees, franchisees, or other third parties, could be damaging to the Corporation and would not only relieve Tim Hortons from its obligations to provide further payments hereunder, but would also result in Tim Hortons claiming against Schroeder for damages suffered.

21. **Schroeder agrees** that in addition to and not by way of limitation of any of the covenants set forth elsewhere herein or in the Post-Employment Covenant Agreement, he shall not, whether on his own behalf or in conjunction with or on behalf of any other person, directly or indirectly, solicit, or assist in soliciting, offer, or entice, consult, provide advice to, or otherwise be involved with, a franchisee of (or operator under operating/license agreement with) Tim Hortons to engage in any act or activity, whether individually or collectively with other franchisees, operators, or persons, that is adverse or contrary to the direct or indirect interests of Tim Hortons business, financial, or general relationship with such franchisees and operators. Such prohibited activities include but are not limited to the organization or facilitation of, or provision of management services to, an association or organization of

franchisees/operators with respect to the business or any other relationship that such franchisees/operators have with Tim Hortons, including but not limited to any such organization or association that would act as an additional layer of required negotiations between Tim Hortons and its franchisees/operators.

22. **Schroeder agrees** that, without in any way limiting or modifying Schroeder's covenants and other obligations set forth in this Agreement and the Post-Employment Covenant Agreement, for a period to extend until the later of (i) two (2) years following the end of the Consulting Arrangement contemplated in Section 29 hereof; and (ii) June 3, 2014 (the "Quiet Period"), he will not make any public statement to the press or media regarding Tim Hortons or its subsidiaries, affiliates, agents, executives, employees, officers, directors, franchisees or products; his employment or directorship with Tim Hortons; or, the termination and resignation of his positions with Tim Hortons; all of the foregoing without the prior written approval of Tim Hortons. For avoidance of doubt, during the Quiet Period, Schroeder shall not grant interviews, make public communications, take speaking opportunities, publish or provide any information or materials regarding Tim Hortons or its subsidiaries, affiliates, agents, executives, employees, officers, directors, franchisees or products in any way either on his own initiative or in response to any inquiry from the press, public media or other similar third parties, without the prior written approval of Tim Hortons as to the nature of the communication and the express substance of the communication to be made.

23. **Schroeder represents and warrants** that he will return to Tim Hortons copies of any Confidential Information (as defined in the Post-Employment Covenant Agreement) currently in his possession or control.

24. **Schroeder agrees** that should he breach the terms of agreement between the parties, including without limitation, the terms of this Agreement and/or the Post-Employment Covenant Agreement, in other

than an insignificant manner, such breach shall be a complete failure of consideration in favour of Tim Hortons and, accordingly, Schroeder shall be liable, in addition to any other remedy Tim Hortons may have, to repay to Tim Hortons any and all amounts previously paid to Schroeder hereunder. Furthermore, all payments contemplated hereunder but not yet made to Schroeder as of the time of such breach are subject to offset by Tim Hortons to compensate Tim Hortons for damage or loss suffered in the event that Schroeder breaches any of the terms of agreement between the parties, including without limitation, the terms of this Agreement and/or the Post-Employment Covenant Agreement.

25. In the event that Schroeder should make or continue a claim, complaint, demand or action against Tim Hortons in any jurisdiction, this Agreement will be raised as an estoppel and complete bar to any such claim, complaint, demand or action.

26. Schroeder acknowledges that he is not relying upon any representations or commitments of Tim Hortons or its subsidiaries, affiliates, agents, executives, employees, officers, directors, or franchisees, other than those outlined in this Agreement in entering into this Agreement.

27. None of the terms in this Agreement alter or extinguish any obligations Schroeder may have to Tim Hortons either in contract or at common law.

28. Schroeder represents and warrants that he will return to the Tim Hortons all property and materials of Tim Hortons in his possession, including without limitation, corporate credit cards, identification badges, customer lists, computers, licensed software, documents, files, tapes or any Tim Hortons information whether stored at his home or on his home computer.

Consulting Arrangement

29. For a period of two years following the Effective Date, Schroeder agrees to provide consulting services to Tim Hortons, as described herein. In exchange for providing such services, Schroeder shall be paid \$175,000 per year, payable monthly. At the end of the two-year period, that is, on May 31, 2013, Tim Hortons shall have the option, in its sole and absolute discretion, to extend the consulting services arrangement with Schroeder for an additional term of two years, at \$175,000 per year, payable monthly. Notwithstanding anything set forth herein to the contrary, Tim Hortons may terminate the consulting services arrangement contemplated by this Section 29 by providing notification to Schroeder of same, in which case, absent a default by Schroeder under this Agreement, including in connection with the consulting services to be provided by Schroeder, or under the Post-Employment Covenant Agreement, Tim Hortons shall pay Schroeder the value of the payments remaining to be paid under either the initial two-year term of the consulting arrangement or under the renewal term, as applicable depending upon the date of termination thereof (*i.e.*, in either case, the amount shall not to exceed \$350,000, which amount shall be reduced by each monthly payment made to Schroeder under either the initial term or the renewal term).

For so long as the consulting agreement remains in effect, Mr. Schroeder shall be entitled to coverage for fuel costs associated with services provided to Tim Hortons under the consulting arrangement, not to exceed \$500.00 per month. This shall be extended through the issuance to Schroeder of a fuel card, the use of which will remain subject to the terms of this Agreement and Tim Hortons policies regarding executive benefits (e.g., fuel may not be purchased for traveling vacations).

For all services provided by Schroeder, he shall be accountable and report at all times to Mr. Paul House, in his capacity as President and CEO (on an interim basis) or as Executive Chairman.

The services to be provided by Schroeder shall be at the call and option of Mr. House and Tim Hortons. That is, Schroeder shall not have any right or entitlement to provide any such services. Such consulting services requested by Tim Hortons may include services in connection with the Tim Hortons coffee partnership program; other corporate social responsibility programs; activities and events for the Tim Horton Children's Foundation; franchisee/operator events, programs or matters; Tim Hortons employee events or programs; and/or other services and activities reasonably requested by Tim Hortons. It is anticipated that the primary focus of the consulting services provided by Schroeder will be with respect to the Tim Horton Children's Foundation and the coffee partnership program as Schroeder was instrumental in the development and/or growth of such programs and had a long-standing history of involvement with such programs.

In addition to but not by way of limitation of the foregoing, Schroeder shall take any and all reasonable actions and execute any and all reasonable documentation necessary or desirable in the view of Tim Hortons to: (i) transition matters for which he was engaged as President and CEO to Mr. House as interim President and CEO and/or, if requested, to the new CEO appointed thereafter; (ii) assist, facilitate, promote, or secure the interests of Tim Hortons with respect to business matters or relationships that commenced, were developed, or continued during Schroeder's tenure as CEO (or otherwise as a senior officer of Tim Hortons) and for which Tim Hortons specifically requests Schroeder's assistance; and/or (iii) implement and effect the full purpose and intent of this Agreement, in all material respects. The matters for which Schroeder may be requested to provide consulting services hereunder include, but are not limited to, litigation matters, as described in Section 16 hereof, as well as certain supplier relationships and initiatives; provided, however, that Schroeder's cooperation for litigation matters shall not be limited to the term of the Consulting Arrangement.

In rendering the consulting services described herein, Schroeder shall act at all times in a positive manner that reflects the mission and values, and best interests, of Tim Hortons.

Notwithstanding anything set forth herein to the contrary, Schroeder shall remain a director of the Tim Horton Children's Foundation after the Effective Date. As a director of such organization, he shall be bound at all times by the appointment or election process of such organization set forth in its governing documentation as exists from time to time and, as a result, there is no guarantee of a minimum service or continued term of service as a director of such organization.

General

30. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.

31. Schroeder acknowledges that he had an opportunity to obtain and he did, in fact, obtain independent legal advice in respect of the contents of this Agreement.

32. For greater clarity as to other provisions of this Agreement, Schroeder shall no longer be eligible to receive any of the payments or other elements detailed in this Agreement if Schroeder breaches any aspect, term or condition of this Agreement.

33. In the event Schroeder has any questions, comments or there is notice of any event required or desired to be given by Schroeder to the Corporation under this Agreement, Schroeder shall direct any and all such inquiries, comments, and/or notices only to the following:

Attention: Corporate Secretary
With a copy to General Counsel, at
Tim Hortons Inc.
874 Sinclair Road
Oakville Ontario L6K 2Y1

34.

I, Donald Schroeder, hereby agree to and accept the terms of this Severance Agreement and Final Release this 1st day of June 2011. I hereby consent to Tim Hortons' collection of personal information about me from any person, firm, corporation or other entity to confirm my compliance with the terms of this Agreement.

/s/ Donald Schroeder Tim Hortons Inc.
Donald Schroeder

In the presence of:

/s/ R. Scott Toop
Per: R. Scott Toop
Title: Executive Vice President and General Counsel
Date: June 2, 2011

/s/ Witness
Witness Signature

Witness
Witness Name

15.

APPENDIX "A" – CALCULATION OF SEVERANCE AMOUNT

Lump Sum to be paid on or before June 19, 2011

Lump Sum Payment to Schroeder	\$2,250,000*
--------------------------------------	---------------------

Severance Amount to be paid monthly over Twenty-Four Months

Total Payment Amount, which will be paid monthly in increments	\$3,500,000
-----------------------------------------------------------------------	--------------------

Consulting Arrangement Payments (NOT PART OF SEVERANCE AMOUNT), but payable with the monthly portion of the Severance Amount

Pursuant to Section 29 of the Agreement, a minimum of \$350,000, paid monthly over the two-year initial term of the consulting arrangement will be paid to Schroeder	<u>\$ 350,000</u>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------

Total of Monthly Payments (Monthly Severance Amount Plus Consulting Arrangement)	<u><u>\$ 3,850,000</u></u>
	(But Payable Monthly as Follows)

Amount of Monthly Payment (24 Payments) – Commencing June 30, 2011 and Payable at the end of each month thereafter for 24 months (The consulting services portion may be paid in full earlier than 24 months at the Corporation's election – see Section 29 of the Agreement)	<u><u>\$ 160,416.66</u></u>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------

Total Severance Amount (Does Not Include Consulting Services)	\$5,750,000**
----------------------------------------------------------------------	----------------------

* This amount is subject to deduction by Tim Hortons at the time of payment by amounts paid to Schroeder through Tim Hortons payroll system commencing May 25, 2011.

** As set forth in Section 12, equity awards under the Plan shall not forfeit as of the Exit Date, but rather shall be governed by Section 11.3 of the Plan and the terms of this Agreement, including Section 8.

All of the payments and amounts set forth on this Appendix A are subject to forfeiture and/or offset in accordance with the terms of the Agreement

FOR IMMEDIATE RELEASE



**Tim Hortons Inc. announces agreement
with former President and CEO Don Schroeder**

OAKVILLE, ONTARIO, (June 6th, 2011): Tim Hortons Inc. (TSX: THI, NYSE: THI) today announced the Board of Directors has reached an agreement with Don Schroeder, former President and CEO, with respect to his relationship with the Company.

The Company previously announced the Board had engaged in a comprehensive succession planning and review process in parallel with the Company's strategic planning work. As the next stage in its process, the Board was planning to commence an active CEO search.

"We are pleased to have reached an agreement that acknowledges Don's contributions and leadership over his twenty-year career with us, while also allowing both him and the Company to benefit from his continued involvement with our brand," said Paul House, Executive Chairman and Interim President and CEO.

As part of a consulting arrangement, Mr. Schroeder, who has resigned as a director of Tim Hortons Inc., will act as an advisor to the Coffee Partnership program which is focused on sustainable farming for small holder coffee farmers in South and Central America, and will be available to work on other matters at the request of the Board for a two-year period, renewable at the Board's option. He will also continue to serve as a director on the Tim Horton Children's Foundation Board.

The financial terms relating to the Company's agreement with Mr. Schroeder, including the ongoing relationship, are being disclosed concurrently in our regulatory filings.

"This agreement will result in Don's continued involvement with the brand in areas in which he has been a long-standing advocate and active supporter, helping disadvantaged children through the Foundation and small holder coffee farmers," House added.

"I am pleased that we have reached an agreement and I am proud that I will remain part of the Tim Hortons family. I have always had a tremendous passion for the Tim Horton Children's Foundation and our Coffee Partnership, both of which are making a true difference. As a result, I am excited about having the opportunity to continue to add value in these important areas," said Don Schroeder.

Tim Hortons Inc. Overview

Tim Hortons is the fourth largest publicly-traded quick service restaurant chain in North America based on market capitalization, and the largest in Canada. Tim Hortons appeals to a broad range of consumer tastes, with a menu that includes premium coffee, flavored cappuccinos, specialty teas, home-style soups, fresh sandwiches, wraps, hot breakfast sandwiches and fresh baked goods, including our trademark donuts. As of April 3rd, 2011, Tim Hortons had 3,782 systemwide restaurants, including 3,169 in Canada and 613 in the United States. More information about the Company is available at www.timhortons-invest.com.

Tim Hortons Inc. will not be providing interviews on this matter or further information at this time.

For more information:

INVESTORS: Scott Bonikowsky, (905) 339-6186 or bonikowsky_scott@timhortons.com

MEDIA: Nick Javor, (905) 339-6176 or javor_nick@timhortons.com

TIM HORTONS INC.
Safe Harbor Under the Private Securities Litigation Reform Act of 1995 and Canadian Securities Laws

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements to encourage companies to provide prospective information, so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those disclosed in the statement. Canadian securities laws have corresponding safe harbor provisions, subject to certain additional requirements including the requirement to state the material assumptions used to make the forecasts set out in forward-looking statements. Tim Hortons Inc. (the “Company”) desires to take advantage of these “safe harbor” provisions.

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “seeks,” “outlook,” “forecast” or words of similar meaning, or future or conditional verbs, such as “will,” “should,” “could” or “may.” Examples of forward-looking statements that may be contained in our public disclosure from time to time include, but are not limited to, statements concerning management’s expectations relating to possible or assumed future results, our strategic goals and our priorities, and the economic and business outlook for us, for each of our business segments and for the economy generally. Many of the factors that could determine our future performance are beyond our ability to control or predict. The following factors, in addition to other factors set forth in our Form 10-K filed on February 25, 2011 (“Form 10-K”) with the U.S. Securities and Exchange Commission (“SEC”) and the Canadian Securities Administrators (“CSA”), and in other press releases, communications, or filings made with the SEC or the CSA, could cause our actual results to differ materially from the expectation(s) included in forward-looking statements and, if significant, could materially affect the Company’s business, sales revenue, share price, financial condition, and/or future results, including causing the Company to (i) close restaurants, (ii) fail to realize same-store sales, which are critical to achieving our operating income and other financial targets, (iii) fail to meet the expectations of our securities analysts or investors, or otherwise fail to perform as expected, (iv) have insufficient cash to engage in or fund expansion activities, dividends, or share repurchase programs, or (v) increase costs, corporately or at restaurant level, which may result in increased restaurant-level pricing, which in turn may result in decreased customer demand for our products resulting in lower sales, revenue, and earnings. Additional risks and uncertainties not currently known to us or that we currently believe to be immaterial may also materially adversely affect our business, financial condition, and/or operating results. We assume no obligation to update or alter any forward-looking statements after they are made, whether as a result of new information, future events, or otherwise, except as required by applicable law.

Forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: the absence of an adverse event or condition that damages our strong brand position and reputation; the absence of a material increase in competition within the quick service restaurant segment of the food service industry; commodity costs; continuing positive working relationships with the majority of the Company’s restaurant owners; the absence of any material adverse effects arising as a result of litigation; there being no significant change in the Company’s ability to comply with current or future regulatory requirements; and general worldwide economic conditions. We are presenting this information for the purpose of informing you of management’s current expectations regarding these matters, and this information may not be appropriate for any other purposes.

Factors Affecting Growth and Other Important Strategic Initiatives. There can be no assurance that the Company will be able to achieve new restaurant or same-store sales growth objectives, that new restaurants will be profitable or that strategic initiatives will be successfully implemented. Early in the development of new markets, the opening of new restaurants may have a negative effect on the same-store sales of existing restaurants in the market. The Company may also enter markets where its brand is not well known and where it has little or no operating experience and as a result, may not achieve the level of penetration needed in order to drive brand recognition, convenience, increased leverage to marketing dollars, and other benefits the Company believes penetration yields. When the Company enters new markets, it may be necessary to increase restaurant owner relief and support costs, which lowers its earnings. There can be no assurance that the Company will be able to successfully adapt its brand, development efforts, and restaurants to these differing market conditions. The Company’s failure to successfully implement growth and various other strategies and initiatives related to international development may have a negative impact on the overall operation of its business and may result in increased costs or inefficiencies that it cannot currently anticipate. The Company may also continue to selectively close restaurants that are not achieving acceptable levels of profitability or change its growth strategies over time, where appropriate. Such closures may be accompanied by impairment charges that may have a negative impact on the Company’s earnings. The success of any restaurant depends in substantial part on its location. There can be no assurance that current locations will continue to be attractive as demographic patterns or economic conditions change. If we cannot obtain desirable locations for restaurants at reasonable prices, the Company’s ability to affect its growth strategy will be adversely affected. The Company also intends to evaluate potential mergers, acquisitions, joint venture investments, alliances, vertical integration opportunities and divestitures, which are subject to many of the same risks that also affect new store development as well as various other risks. In addition, there can be no assurance that the Company will be able to complete the desirable transactions, for reasons including restrictive covenants in debt instruments or other agreements with third parties. The Company may continue to pursue strategic alliances (including co-branding) with third parties for

different types of development models and products and there can be no assurance that: significant value will be recognized through such strategic alliances; the Company will be able to maintain its strategic alliances; or, the Company will be able to enter into new strategic relationships in the future. Entry into such relationships as well as the expansion of the Company's current business through such initiatives may expose it to additional risks that may adversely affect the Company's brand and business. The Company's financial outlook and long-range targets are based on the successful implementation, execution and customer acceptance of the Company's strategic plans and initiatives; accordingly, the failure of any of these criteria could cause the Company to fall short of achievement of its financial objectives and long-range aspirational goals.

The Importance of Canadian Segment Performance and Brand Reputation. The Company's financial performance is highly dependent upon its Canadian operating segment, which accounted for approximately 83.4% of its consolidated revenues, and all of its profit, in 2010. Any substantial or sustained decline in the Company's Canadian business would materially and adversely affect its financial performance. The Company's success is also dependent on its ability to maintain and enhance the value of its brand, its customers' connection to and perception of its brand, and a positive relationship with its restaurant owners. Brand value can be severely damaged, even by isolated incidents, including those that may be beyond the Company's control such as: actions taken or not taken by its restaurant owners relating to health, safety, welfare or labour matters; litigation and claims (including litigation by, other disputes with, or negative relationship with restaurant owners); security breaches or other fraudulent activities associated with its electronic payment systems; illegal activity targeted at the Company; and negative incidents occurring at or affecting its strategic business partners (including in connection with co-branding initiatives, international licensing arrangements and its self-serve kiosk model), affiliates, and corporate social responsibility programs. The Company's brand could also be damaged by falsified claims or the quality of products from its vertically integrated manufacturing plants, and potentially negative publicity from various sources, including social media sites on a variety of topics and issues, whether true or not, which are beyond its control.

Competition. The quick service restaurant industry is intensely competitive with respect to price, service, location, personnel, qualified restaurant owners, real estate sites and type and quality of food. The Company and its restaurant owners compete with international, regional and local organizations, primarily through the quality, variety, and value perception of food products offered. The number and location of units, quality and speed of service, attractiveness of facilities, effectiveness of advertising/marketing, promotional and operational programs, discounting activities, price, changing demographic patterns and trends, changing consumer preferences and spending patterns, including weaker consumer spending in difficult economic times, or a desire for a more diversified menu, changing health or dietary preferences and perceptions, and new product development by the Company and its competitors are also important factors. Certain of the Company's competitors, most notably in the U.S., have greater financial and other resources than it does, including substantially larger marketing budgets and greater leverage from their marketing spend. In addition, the Company's major competitors continue to engage in discounting, free sampling and other promotional activities.

Commodities. The Company is exposed to price volatility in connection with certain key commodities that it purchases in the ordinary course of business such as coffee, wheat, edible oil and sugar, which can impact revenues, costs and margins. Although the Company monitors its exposure to commodity prices and its forward hedging program partially mitigates the negative impact of any costs increases, price volatility for commodities it purchases has increased due to conditions beyond its control, including recent economic conditions, currency fluctuations, availability of supply, weather conditions and consumer demand. Increases and decreases in commodity costs are largely passed through to restaurant owners and the Company and its restaurant owners have some ability to increase product pricing to offset a rise in commodity prices, subject to restaurant owner and customer acceptance, respectively. A number of commodities have recently experienced elevated spot market prices relative to historic prices. Although the Company has secured commitments for most of its key commodities through year-end 2011 in anticipation of continued high prices in 2011, these are at higher prices than its previous commitments. In addition, if further escalation in prices continues, the Company may be forced to purchase commodities at higher prices at the end of the respective terms of its current commitments.

Food Safety and Health Concerns. Incidents or reports, whether true or not, of food-borne illness and injuries caused by or claims of food tampering, employee hygiene and cleanliness failures or impropriety at Tim Hortons, and the health aspects of consuming the Company's products or other quick service restaurants unrelated to Tim Hortons, could result in negative publicity, damage the Company's brand value and potentially lead to product liability or other claims. Any decrease in customer traffic or temporary closure of any of the Company's restaurants as a result of such incidents or negative publicity may have a material adverse effect on its business and results of operations.

Distribution Operations and Supply Chain. The occurrence of any of the following factors is likely to result in increased operating costs and decreased profitability of the Company's distribution operations and supply chain and may also injure its brand, negatively affect its results of operations and its ability to generate expected earnings and/or increase costs, and/or negatively impact the Company's relationship with its restaurant owners: higher transportation or shipping costs; inclement weather, which could affect the cost and timely delivery of ingredients and supplies; increased food and other supply costs; having a single source of supply for certain of its food products, including certain par-baked goods, iced cappuccinos, and other popular food products; shortages or interruptions in the availability or supply of perishable food products and/or their ingredients; the failure of its distribution business to perform at historic levels; and political, physical, environmental or technological disruptions in the Company's or its suppliers' manufacturing and/or warehouse plants, facilities or equipment.

Importance of Restaurant Owners. A substantial portion of the Company's earnings come from royalties and other amounts paid by restaurant owners, who operated 99.5% of the Tim Hortons restaurants as of January 2, 2011. The Company's revenues and profits would decline and its brand reputation could also be harmed if a significant number of restaurant owners were to experience, among

other things, operational or financial difficulties or labour shortages or significant increases in labour costs. Although the Company generally enjoys a positive working relationship with the vast majority of its restaurant owners, active and/or potential disputes with restaurant owners could damage its reputation and/or its relationships with the broader restaurant owner group. The Company's restaurant owners are independent contractors and, as a result, the quality of their operations may be diminished by factors beyond the Company's control. Any operational shortcoming of a franchise restaurant is likely to be attributed by consumers to the Company's entire system, thus damaging its brand reputation and potentially affecting revenues and profitability.

Litigation. The Company is or may be subject to claims incidental to the business, including: obesity litigation; health and safety risks or conditions of the Company's restaurants associated with design, construction, site location and development, indoor or airborne contaminants and/or certain equipment utilized in operations; employee claims for employment or labour matters, including potentially, class action suits regarding wages, discrimination, unfair or unequal treatment, harassment, wrongful termination, and overtime compensation claims; claims from restaurant owners regarding profitability or wrongful termination of their franchise or operating (license) agreement(s); taxation authorities regarding certain tax disputes; and falsified claims. The Company's current exposure with respect to pending legal matters could change if determinations by judges and other finders of fact are not in accordance with management's evaluation of these claims and the Company's exposure could exceed expectations and have a material adverse effect on its financial condition and results of operations.

Government Regulation. The Company and its restaurant owners are subject to various international, federal, state, provincial, and local ("governmental") laws and regulations. The development and operation of restaurants depend to a significant extent on the selection, acquisition, and development of suitable sites, which are subject to laws and regulations regarding zoning, land use, environmental matters (including limitation of vehicle emissions in drive-thrus; anti-idling bylaws; regulation of litter, packaging and recycling requirements; regulation relating to discharge, storage, handling, release and/or disposal of hazardous or toxic substances; and other governmental laws and regulations), traffic, franchise, design and other matters. Additional governmental laws and regulations affecting the Company and its restaurant owners include: business licensing; franchise laws and regulations; health, food preparation, sanitation and safety; privacy; immigration and labour (including applicable minimum wage requirements, overtime, working and safety conditions, family leave and other employment matters, and citizenship requirements); product safety, nutritional disclosure and advertising; product safety and regulations regarding nutritional content, including menu labeling; existing, new or future regulations, laws, treaties or the interpretation or enforcement thereof relating to tax matters that may affect the Company's ongoing tax disputes, realization of the Company's tax assets, disclosure of tax-related matters, and expansion of the Company's business into new territories through its strategic initiatives, joint ventures, or other types of programs, projects or activities; tax laws affecting restaurant owners' business; employee benefits; accounting; and anti-discrimination. Compliance with these laws and regulations and planning initiatives undertaken in connection therewith could increase the cost of doing business and, depending upon the nature of the Company's and its restaurant owners' responsive actions thereto, could damage the Company's reputation. Changes in these laws and regulations, or the implementation of additional regulatory requirements, particularly increases in applicable minimum wages, tax law, planning or other matters may, among other things, adversely affect the Company's financial results; anticipated effective tax rate, tax liabilities, and/or tax reserves; business planning within its corporate structure; its strategic initiatives and/or the types of projects it may undertake in furtherance of its business; or franchise requirements.

In addition, a taxation authority may disagree with certain views of the Company with respect to the interpretation of tax treaties, laws and regulations and take the position that material income tax liabilities, interests, penalties or amounts are payable by the Company, including in connection with certain of its public or internal company reorganizations. Contesting such disagreements or assessments may be lengthy and costly and, if the Company were unsuccessful in disputing the same, the implications could be materially adverse to it and affect its anticipated effective tax rate, projected results, future operations and financial condition, where applicable.

International Operations. The Company's new international operations will be subject to various factors of uncertainty, and there is no assurance that international operations will achieve or maintain profitability or meet planned growth rates. The implementation of the Company's international strategic plan may require considerable management time as well as start-up expenses for market development before any significant revenues and earnings are generated. Expansion into new international markets carries risks similar to those risks described above and more fully in the Form 10-K relative to expansion into new markets in the U.S.; however, some or all of these factors may be more pronounced in markets outside Canada and the U.S. due to cultural, political, legal, economic, regulatory and other conditions and differences. Additionally, the Company may also have difficulty exporting its proprietary products into international markets or finding suppliers and distributors to provide it with adequate supplies of ingredients meeting its standards in a cost-effective manner.

Economic, Market and Other Conditions. The quick service restaurant industry is affected by changes in international, national, regional, and local economic and political conditions, consumer preferences and perceptions (including food safety, health or dietary preferences and perceptions), discretionary spending patterns, consumer confidence, demographic trends, seasonality, weather events and other calamities, traffic patterns, the type, number and location of competing restaurants, enhanced governmental regulation

(including nutritional and franchise regulations), changes in capital market conditions that affect valuations of restaurant companies in general or the value of the Company's stock in particular, and litigation relating to food quality, handling or nutritional content. Factors such as inflation, higher energy and/or fuel costs, food costs, the cost and/or availability of a qualified workforce and other labour issues, benefit costs, legal claims, legal and regulatory compliance (including environmental regulations), new or additional sales tax on the Company's products, disruptions in its supply chain or changes in the price, availability and shipping costs of supplies, and utility and other operating costs, also affect restaurant operations and expenses and impact same-store sales and growth opportunities. The ability of the Company and its restaurant owners to finance new restaurant development, improvements and additions to existing restaurants, acquire and sell restaurants, and pursue other strategic initiatives (such as acquisitions and joint ventures), are affected by economic conditions, including interest rates and other government policies impacting land and construction costs and the cost and availability of borrowed funds. In addition, unforeseen catastrophic or widespread events affecting the health and/or welfare of large numbers of people in the markets in which the Company's restaurants are located and/or which otherwise cause a catastrophic loss or interruption in the Company's ability to conduct its business, would affect its ability to maintain and/or increase sales and build new restaurants. Unforeseen events, including war, terrorism and other international, regional or local instability or conflicts (including labour issues), public health issues (including tainted food, food-borne illness, food tampering and water supply or widespread/pandemic illness such as the avian or H1N1 flu), and natural disasters such as earthquakes, hurricanes, or other adverse weather and climate conditions could disrupt the Company's operations, disrupt the operations of its restaurant owners, suppliers, or customers, or result in political or economic instability.

Reliance on Systems. If the network and information systems and other technology systems that are integral to retail operations at system restaurants and at the Company's manufacturing facilities, and at its office locations are damaged or interrupted from power outages, computer and telecommunications failures, computer worms, viruses and other destructive or disruptive software, security breaches, catastrophic events and improper or personal usage by employees, such an event could have an adverse impact on the Company and its customers, restaurant owners and employees, including a disruption of its operations, customer dissatisfaction or a loss of customers or revenues. The Company relies on third-party vendors to retain data, process transactions and provide certain services. In the event of failure in such third party vendors' systems and processes, the Company could experience business interruptions or privacy and/or security breaches surrounding its data. The Company continues to enhance its integrated enterprise resource planning system. The introduction of new modules for inventory replenishment, sustainability, and business reporting and analysis will be implemented. There may be risks associated with adjusting to and supporting the new modules which may impact the Company's relations with its restaurant owners, vendors and suppliers and the conduct of its business generally.

Foreign Exchange Fluctuations. The Company's Canadian restaurants are vulnerable to increases in the value of the U.S. dollar as certain commodities, such as coffee, are priced in U.S. dollars in international markets. Conversely, the Company's U.S. restaurants are impacted when the U.S. dollar falls in value relative to the Canadian dollar, as U.S. operations would be less profitable because of the increase in U.S. operating costs resulting from the purchase of supplies from Canadian sources, and profits from U.S. operations will contribute less to (or, for losses, have less of an impact on) the Company's consolidated results. Increases in these costs could make it harder to expand into the U.S. and increase relief and support costs to U.S. restaurant owners, affecting the Company's earnings. The opposite impact occurs when the U.S. dollar strengthens against the Canadian dollar. In addition, fluctuations in the values of Canadian and U.S. dollars can affect the value of the Company's common shares and any dividends the Company pays.

Privacy Protection. If the Company fails to comply with new and/or increasingly demanding laws and regulations regarding the protection of customer, supplier, vendor, restaurant owner, employee and/or business data, or if the Company (or a third party with which it has entered into a strategic alliance) experiences a significant breach of customer, supplier, vendor, restaurant owner, employee or Company data, the Company's reputation could be damaged and result in lost sales, fines, lawsuits and diversion of management attention. The introduction of electronic payment systems and the Company's reloadable cash card makes it more susceptible to a risk of loss in connection with these issues, particularly with respect to an external security breach of customer information that the Company, or third parties under arrangement(s) with it, control.

Other Significant Risk Factors. The following factors could also cause the Company's actual results to differ from its expectations: an inability to adequately protect the Company's intellectual property and trade secrets from infringement actions or unauthorized use by others (including in certain international markets that have uncertain or inconsistent laws and/or application with respect to intellectual property and contract rights); liabilities and losses associated with owning and leasing significant amounts of real estate; an inability to retain executive officers and other key personnel or attract additional qualified management personnel to meet business needs; changes in its debt levels and a downgrade on its credit ratings; and certain anti-takeover provisions that may have the effect of delaying or preventing a change in control.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as to management's expectations as of the date and time made. Except as required by applicable laws, the Company undertakes no obligation to publicly release any revisions to forward-looking statements, or to update them to reflect events or circumstances occurring after the date forward-looking statements are made, or to reflect the occurrence of unanticipated events.